GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2582
ANSWERED ON:14.03.2016
Performance Audit for KG Basin
Yellaiah Shri Nandi

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the Reliance Industries Limited (RIL) has violated all its contractual commitments resulting in loss to exchequer in its operation in D6 block of the Krishna Godavari Basin;
(b) if so, the details thereof along with action taken by the Government against RIL;
(c) whether the performance audit was carried out for oil and gas exploration in KG basin with regard to RIL and loss incurred by the Government during the last three years and the current year in view of the Government having discarded Production Sharing Contract (PSC); and
(d) if so, the names of the companies which have allegedly violated the terms of PSC along with the various measures adopted to regularize the losses incurred in the said project including financial penalty imposed on RIL and cancellation/taking over some of area allotted to RIL?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE)
IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN):
(a)& (b) The gas production from D1 & D3 fields in this block is much less than the production rates approved in addendum to Initial Development Plan (AIDP). The contractor has failed to adhere to approved Field Development Plan in terms of drilling adequate number of wells and putting on stream the required number of wells and consequent achievement of projected gas production profile in AIDP. This has led to underutilization of facilities and surplus inventories. This Ministry vide its letters dated 02.05.2012, 10.09.2013, 14.11.2013 and 10.07.2014 disallowed development cost based on the cumulative shortfall in production of gas vis-a-vis production estimates under the approved AIDP (Addendum to Initial Development Plan) for corresponding years incurred by the Contractor. The total disallowed development costs as on 31st March, 2014 amounts to US $2.376 billion. As a result, contractor is liable to pay additional profit petroleum of USD 195,341,957 to the Government for the period upto the year 2013-14. In pursuance to the provisions contained in the New Domestic Natural Gas Pricing Guidelines, 2014, GAIL has been depositing the difference between the price prevailing before the issue of guidelines and that notified subsequently from time to time in a Gas Pool Account (GPA). Government has directed GAIL to continue depositing differential amount in GPA towards additional profit petroleum due to the Government.
(c) : Yes, Madam. CAG has conducted audit of the block KG-DWN-98/3 for the years 2006-07 to 2011-12 and has submitted its reports (Report No.19 and 24) which is available on website. C&AG has pointed out several deficiencies including these related to procurements made in the block. The two reports bring out regulatory and control issues, discovery related issues, procurement related issues etc. The audit observations entail disallowance of some of the contract costs.
(d) : Non-compliance of contractual provisions, if any, is dealt in accordance with stipulations laid down in the Production Sharing Contract and extant Policies of Government. However, major PSC violations like change of ownership without approval, non-submission of bank guarantee, submission of false information etc. attract major penalties including termination of contract. Under the PSC regime, till now major PSC violations have been observed in a few blocks / fields. Government has taken appropriate actions in such cases. The details are annexed as Annexure.
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